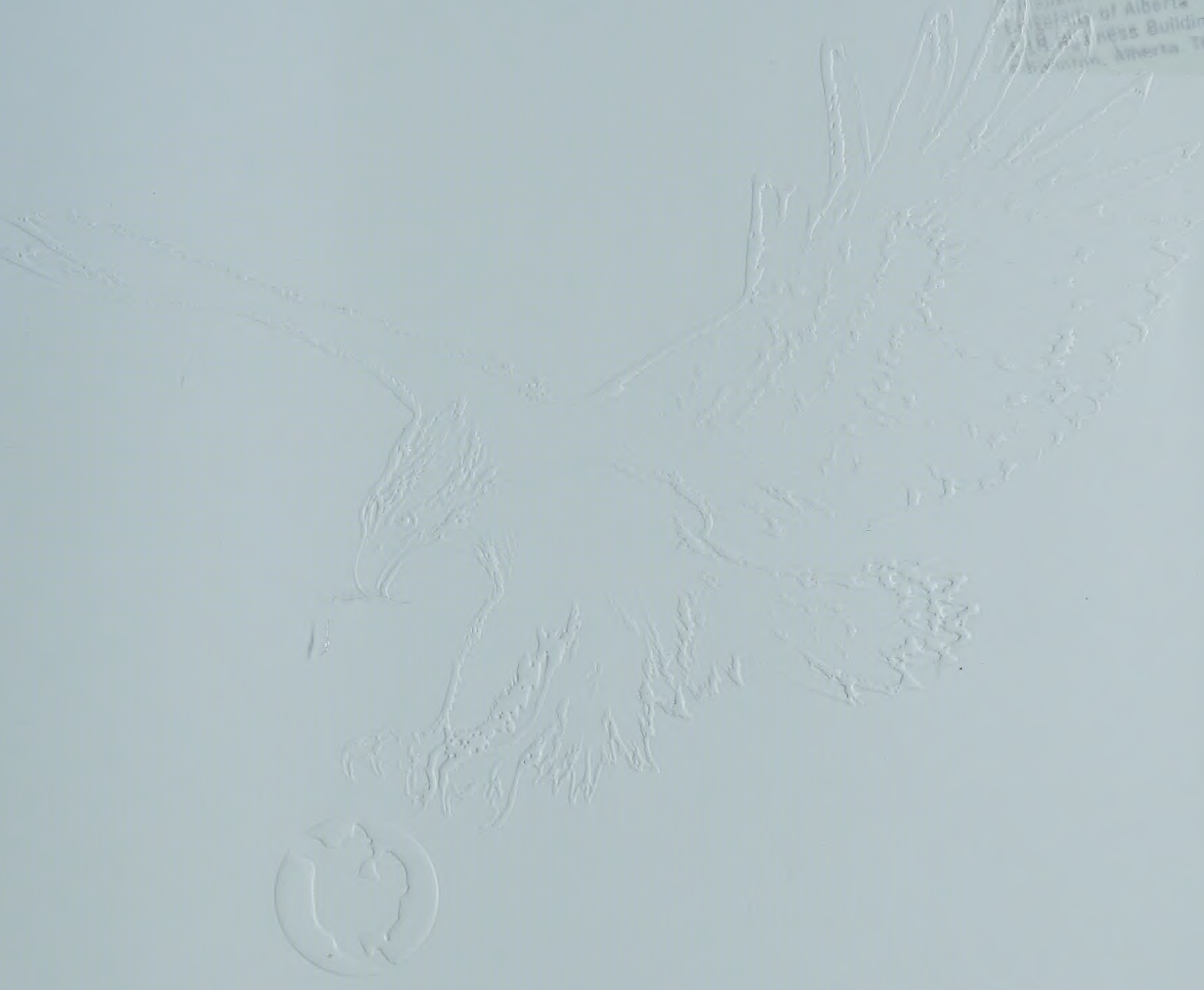
2003 Annual report

Genesis Land Development Corp.

GDC/TSX



GENESIS

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Genesis Land Development Corp.
GDC/TSX

MISSION STATEMENT

Genesis's goal is to become one of the strongest and most proficient land development companies in Canada by developing and expanding its land holdings through retained earnings, equity financing and conservative use of debt which will continuously provide sustainable cash flow.

CORPORATE PROFILE

Genesis Land Development Corp. is a growth oriented real estate company with the main objective to maximize shareholder value through:

- Development and sale of distinctive planned communities.
- Acquisition of strategically located land parcels with excellent potential for appreciation in key market centres.
- Land parcel value addition by rezoning assistance of the lands to the developmental stage.
- Developing commercial properties to provide continuous corporate cash flow and increase asset values.
- Building and operating water and sanitary sewer utilities on Genesis developed properties.
- The use of advanced technologies to promote and market Genesis properties.

2004 ANNUAL GENERAL MEETING

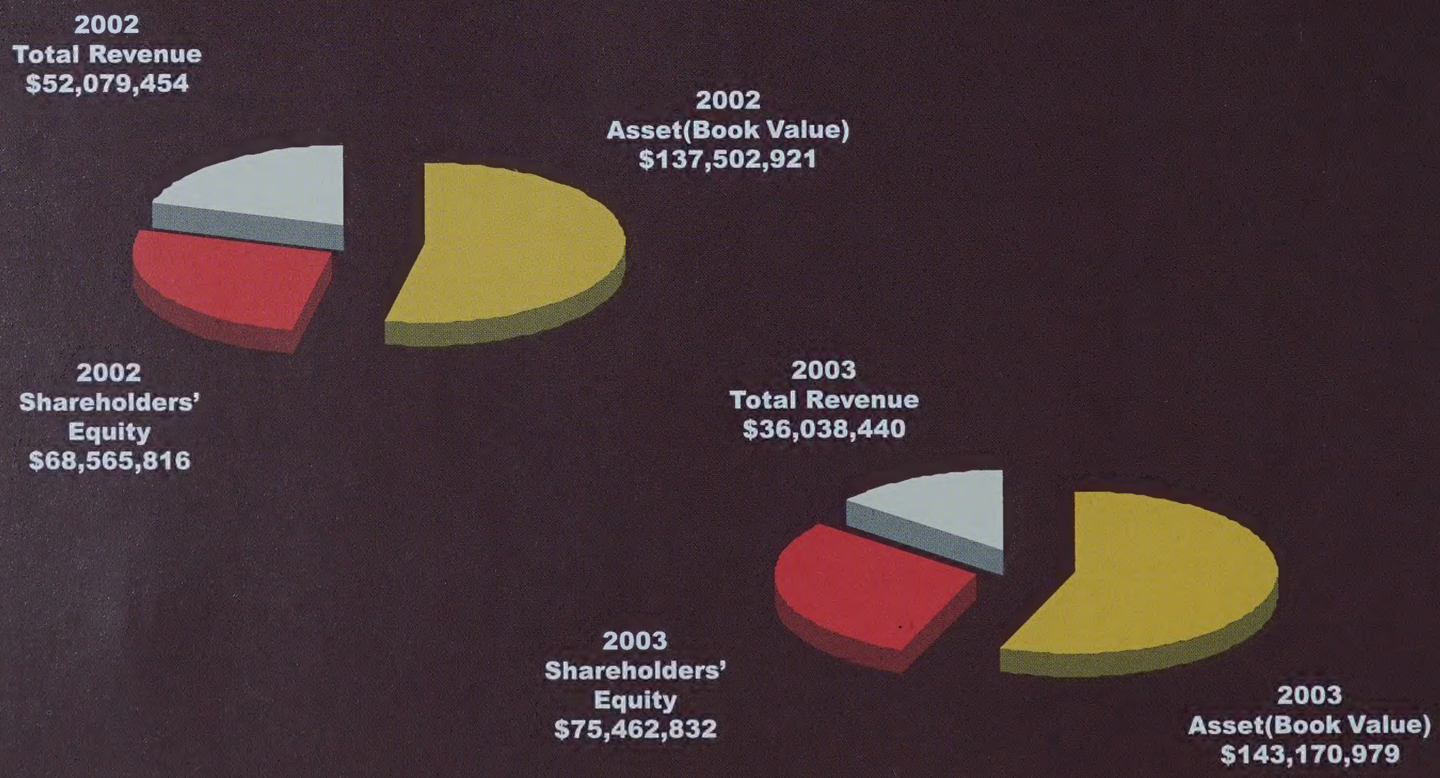
The Annual General Meeting of Shareholders will be held at 2 pm on Thursday, June 3 at the Sandman Hotel Airport, 25 Hopewell Way NE, Calgary, Alberta T3J 4V7

Genesis Financial Highlights

Genesis Land Development Corp.

(In dollars, except for common shares)

	2003	2002
Assets	$143,170,979	$137,502,921
Shareholders' Equity	$75,462,832	$68,565,816
Total Revenue	$36,038,440	$52,079,454
Pre-tax Earnings (Loss)	$9,514,020	$8,703,952
Net Earnings (Loss)	$6,641,661	$4,838,177
Pre-tax earnings (loss) per share	$0.21	$0.19
Earnings (loss) per share - basic & fully diluted	$0.15/$0.14	$0.11/$0.10
Common Shares Outstanding	45,960,240	45,681,908



Report to Shareholders

OVERVIEW - CONTINUED RECORD EARNINGS GROWTH

On behalf of the Board of Directors I am pleased to report that 2003 was another banner year for Genesis. Revenues of $36.0 million produced $13.0 million in pre-tax earnings and $8.2 million in after tax earnings before a write down of $3.5 million on certain properties to their net realizable value. Compared with 2002, although revenues decreased by 31%, the pre-tax and after tax earnings increased by 50% to $13.0 million and 69% to $8.2 million respectively before the property write down. Revenues for 2003 were mainly derived from the sale of single family lots in Sherwood (Symons Valley) and Bayside, two of Genesis' five flagship communities located in the Calgary Metropolitan Area(CMA). The other three communities are Canals

North, Taravista and its 247 acre North Calgary Commercial Campus - Balzac (NCCC), located 5 minutes from the Calgary International Airport. Genesis' large land reserve represented by approximately 12,000 undeveloped lot inventories within these four residential communities will allow Genesis to maintain and improve its market share in the CMA for the next decade. In 2003 Genesis acquired 80 acres of residential lands adjacent to its Bayside community and obtained rezoning approval on NCCC, which allowed construction to commence in spring 2004. In addition to these accomplishments, Genesis reduced its long-term debt by approximately 24% from $31.3 million to $23.9 million, and acquired Polar Hedge Enhanced Income Trust (PHT) in fall 2003. The acquisition of PHT gives Genesis the opportunity to optimize Genesis's financial position over the next several years. This is in line with our corporate strategy of retiring the long term debt as soon as possible.

CONTINUED STRONG PERFORMANCE IN DEVELOPMENT SERVICING AND LAND REZONING

We are completing the servicing of nearly 400 lots in Sherwood, our premier community in Symons Valley, and expect to open a show home parade in late spring 2004. Servicing of 112 lots and a show home parade opening were completed in Canals – Phase 3 while servicing has commenced on 88 lots in Bayside – Phase 2. Rezoning of new more affordable housing product in Canals - Phase 5 was achieved in October 2003, with servicing on 156 single family lots (most of them pre-sold to builders) expected to commence in spring 2004. There has been a delay in the completion of the rezoning of Taralake in North East Calgary, pending a joint transportation study between the area developers including Genesis and the City of Calgary, to provide recommendations for solutions to downstream traffic concerns in the Saddleridge Area Structure Plan. Genesis has been very active in finding solutions and expects that there will be a resolution of this issue by spring 2004. Wit these efforts, we expect that rezoning of the 160 acres of Taralake to be completed by fall 2004. This delay has caused the sale of over 400 single family lots, 4 acres of multi-family and 6 acres of commercial site developments to be deferred into 2004 from 2003.

MATURING DEVELOPMENTS, NEW PROJECTS, AND IMPROVED OPERATING EFFICIENCIES FUEL RECORD EARNINGS GROWTH

While the delay in rezoning Taralake has reduced the revenues and earnings growth originally anticipated in 2003, overall 2003 earnings are substantially greater than in 2002. This illustrates improved operating and servicing efficiencies resulting in increased margins, as well as bringing on new developments on stream such as Sherwood in Symons Valley. With the purchase of Polar Hedge Enhanced Income Trust (PHT) completed in October 2003, Genesis will now be able to take advantage of the financial structure features within this specific trust for Genesis' operations. It is anticipated that the rezoning of 150 acres of Sage Hill Crossing in Symons Valley permitting, approximately 850,000 sq. ft of commercial

Report to Shareholders

development, plus high-density multifamily sites will occur in 2004. Sage Hill Crossing has already been designated as the Core Commercial Centre in the City of Calgary's Symons Valley Community Plan. Both Sage Hill Crossing and the NCCC commercial projects will be key elements to the continued record earnings and revenue growth for Genesis.

SUSTAINED ECONOMIC GROWTH IN CALGARY AND ALBERTA EXPECTED TO CONTINUE

The Alberta and Calgary economies look very bright in 2004. As reported in the Canadian Home Building Industry section of the Calgary Herald on February 22, 2004, "The strength of Alberta's economy will continue to act as a magnet for relocating companies and staff, and individuals looking for new employment. With an estimated 23,000 people coming to the province and another 21,000 forecast to move there this year, the number of households being formed will continue to fuel demand for housing." Housing starts, while moderating, show substantial strength in the local Calgary area economy with a total of 8,526 single and 5,116 multi-family starts to December 31, 2003. RBC reported in the Calgary Real Estate News dated February 26, 2004 "Alberta's reign as one of the most affordable provinces in Canada in which to own a home is expected to continue through 2004." This is further enhanced by the announcement by CMHC that qualified home buyers can now buy homes through them with zero down payment.

Sherwood Showhomes, NW Calgary

Report to Shareholders

Every year, we review our objectives to see how much we have achieved, and set new goals and objectives, if necessary. This constant process of self-evaluation allows us to improve our business. The following comparison summarizes the objectives stated in our 2002 Annual Report, evaluates the progress made on them, and outlines our 2004 objectives.

YEAR 2003 OBJECTIVES (FROM 2002 ANNUAL REPORT)	STATUS OF 2003 OBJECTIVES	2004 OBJECTIVES
Complete rezoning of 160 acres of Taravista - East, and begin servicing 450 lots in fall 2003, based on 100% lot pre-sales to builders groups.	Not completed due to City of Calgary wanting to reassess downstream transportation concerns.	Develop solution for downstream transportation; obtain rezoning for 160 acres by fall 2004, along with pre-sales to builders and servicing of 450 lots.
Complete Phase 3 - Canals North servicing and showhome opening in summer 2003. Complete sale of Bayside - Phase 1 in 2003, obtain approvals and commence development of Phase 2 Bayside in fall 2003.	Completed servicing and opened showhomes in fall 2003. Completed - Bayside Phase 1 sales; Bayside Phase 2 showhome permits obtained in March 2004.	Pre-sale and service of 156 new single family lots and 10 acres multi-family sites in Canals North Phases 5 and 7. Complete Canals North Phase 3 landscaping (including water recirculation park) Complete servicing 88 lots and 4.9 acres multi-family site in Bayside Phase 2, with showhome parade opening in fall 2004.
Target resolution of engineering issues by 2004 and begin development of Mountain View Village.	Not completed yet.	Schedule resolution of engineering issues in Mountain View Village by fall 2004.
Complete servicing of 400 Sherwood (Symons Valley) lots in 2003, and open two showhome parades in January 2004.	Servicing 80% completed and showhome parade opening in March 2004.	Complete servicing of 400 lots in Sherwood, and see at least 250 building permits in 2004.
Schedule planning and rezoning applications for 2003 to 2004 (Kamloops) and accelerate as local economic growth increases.	Scheduling completed - expected to commence increased planning in 2005 to 2006.	Monitor situation in Kamloops, and accelerate planning approvals as appropriate.
Spray Lakes - no further extensions will be granted, and either litigation or a settlement will occur. Company principals will provide a share reduction package for shareholder consideration in either case.	Statement of claim filed, proceeding to examination of discoveries.	Aggressively pursue litigation with provincial government, and complete discoveries - maximizing exposure to provincial government.
Continue to pursue options to maximize shareholder value and liquidity, including but not limited to: corporate sale, privatization by management buy out of outside shareholders, and increased share buying through an issuer bid.	Hired CIBC to explore shareholder value enhancement and liquidity options.	At the time of print in April, 2004, management was still considering options with CIBC and will continue to do so until a satisfactory resolution has been achieved.
Obtain rezoning approval for North Calgary Commercial Campus in spring 2003, and commence development of Phase 1 in 2003 - approx. 50 acres.	Rezoning approval obtained in November 2003. Development servicing to commence in spring 2004.	Complete pre-sale and servicing of more than 50 acres of NCCC, including the relocation of Genesis headquarters to NCCC.
Purchase at least one tract of prime development property in 2003 to add to the Genesis development portfolio.	Purchased 80 acres of land adjacent to Bayside, adding more than 400 future lots to Genesis's portfolio.	Continue to review opportunities to expand Genesis land base, but also look at crystallizing profits on specific land parcels in this very strong real estate market.

Acknowledgements

On behalf of the Board of Directors and management of Genesis, I would like to congratulate all of our shareholders, clients, employees, and business associates on a record breaking year in 2003, for their continued support of our efforts to improve our business, and look forward to another record setting year in 2004.

GOBI SINGH, P. ENG
President & Chief Executive Officer

Operations Summary

HIGHLIGHTS – 6th Annual Report (December 2003)

Genesis Land Development Corp. developed over 350 lots, generating \$35.7 million in revenues, \$13.0 million (\$0.28/share) in pre-tax earnings and \$8.2 million (\$0.18/share) in net earnings before a pre-tax property write down of \$3.5 million. After the property write down, the pre-tax earnings are \$9.5 million (\$0.21/share) and \$6.5 million (\$0.15/share) in net earnings, a banner year for the company's earnings.

Development servicing on 88 lots and 4.85 acres of commercial in Bayside Phase 2 commenced in the fall of 2003. Rezoning of Canals 5 and 7 were approved in October 2003 which will yield 156 single family lots and over 13 acres of multi-residential. Servicing of 400 lots in Sherwood (Symons Valley) is well underway and rezoning of 135 acres into multi-family and commercial designation has been applied for. Rezoning approval for the 247 acre North Calgary Commercial Campus Balzac was received in November 2003.

MAJOR LAND DEVELOPMENT PROJECTS (2003-2004)

CANALS NORTH – Airdrie (25 minutes north of Downtown Calgary)

THE CANALS NORTH

<u>Size and Lot Yield:</u> 250 acres, 1400+ single family lots, plus multi-family and commercial sites
<u>Current Status:</u> More than 500 single family lots sold since 1997, plus multi-family and commercial sites. Phase 5 and 7 (156 single family lots) rezoned in October 2003, pre-sold to builders in spring of 2004, being serviced in summer of 2004.


Canals in Airdrie

Genesis commenced development of the Canals North (located in the City of Airdrie - Calgary suburb) in 1997, and is now developing Phase 5 and 7 incorporating three single family housing products, including more affordable front drive garage lots, homes with separate living suites on top of rear detached garages, and wide canal side lots. A country style theme pre-dominates the community with wide bright color palettes, old-fashioned street lamps, large front porches and decorative trim. All of the 156 lots in Phase 5 and 7 have been pre-sold to builder groups. The parkway and paths along the canal lots in Phase 5 will be connected directly to the extensive parkway system of previous Canals North phases.


Canals Phase 3 Showhomes

BAYSIDE – Airdrie (25 minutes north of Downtown Calgary)

<u>Size and Lot Yield:</u> 370 acres, 2000+ single family lots plus multifamily and commercial sites.
<u>Current Status:</u> Bayside Phase 1 built out (99 single family lots), Bayside Phase 2 – (88 single lots - pre-sold to builders, and a 4.85 ac. multifamily site) – servicing commenced in fall of 2003, showhome parade opening by fall 2004.

BAYSIDE
E·S·T·A·T·E·S

Bayside Phase 1 incorporated a maritime theme, which is being refined for Phase 2, with the advent of the first water lots with private access to the canals. Phase 2 has been named Bayside Estates, and will incorporate more extensive architectural requirements including extensive masonry / stonework, as well as having nearly 50% of the lots with private access to the water canals. Phase 2 – Bayside Estates will be the forerunner to nearly 800 future lots, many of which will have private access to the water canals, a theme unique to the Calgary metropolitan area in such quantity. As an integral part of the development, Genesis is redesigning the waterfront commercial site, to incorporate the necessary improvements needed to present this landmark commercial centre as the gateway to both Bayside and the Canals North. Genesis also purchased 80 acres immediately adjacent to the west of Bayside, to further add to its already extensive lot inventory in the immediate area. Similar to Canals North, Bayside captured a total of 55 single and multi-family building permits in 2003. With continued strong demand for housing, as well as increased product variety, Genesis expects to capture an increasing market share of Airdrie lot sales in the foreseeable future.


Canals in Airdrie


Bayside - commercial


Bayside Showhomes

Operations Summary

TARAVISTA – Northeast Calgary (15 minutes to Downtown Calgary)

<u>Size and Lot Yield:</u> 480 acres, 2200+ single family lots, plus multi-family and commercial sites.
<u>Current Status:</u> First 160 acres (708 single lots, plus multifamily and commercial sites) developed and sold. Rezoning for adjacent 160 acres underway, with development planned for 450 lots starting in fall of 2004. Planning underway on the last 160 acres quarter section, with application for land use expected in 2004

A total of 312 building permits in Taravista were recorded in 2003, which showed the immense popularity of the community. Building permits covered a wide variety of products from: $119,000 townhomes to $500,000 lakefront estate homes. Rezoning plans for the adjacent 160 acres (known as Taralake) have been delayed due to a review of downstream traffic implications from future Saddleridge Area Structure Plan developments (including Taralake). However, management is confident that a solution is being developed that will allow the rezoning of Taralake by summer – fall of 2004. Pending approvals and market demand, Genesis expects to commence development of 450 lots in fall 2004 to meet the accumulating demand for homes in this popular community.

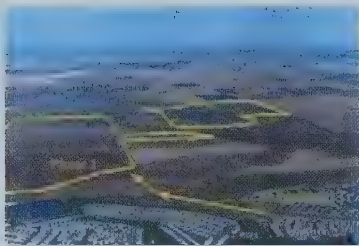
SYMONS VALLEY – Northwest Calgary (25 minutes to Downtown Calgary)

<u>Size and Projected Yield:</u> 775 acres, 4500 lots
<u>Current Status:</u> Nearly 400 lots being serviced in Sherwood, commercial and multi-family zoning applied for on 135 additional acres.

Development servicing is nearly 80% completed for the first 400 lots of the new community of Sherwood, including the construction of two lanes of the Shaganappi Trail expressway. Showhomes opened in March 2004. Homes in this upscale community are expected to start at $270,000 (house and lot). Unlike the other three Symons Valley communities being developed, Sherwood has an upscale architectural standard highlighting an English Tudor/Manor style, which precludes the use of vinyl siding, and maximizes the use of stucco and other masonry in the exterior finishes. This upscale standard is also reflected by the large number of R-1 (estate) lots in Sherwood compared to the other Symons Valley communities. Symons Valley is the last undeveloped area in the highly desired North and Northwest Calgary areas, which captures between 40 and 50% of the new home market on an annual basis. In 2003, there were 428 single family permits in Symons Valley, and the numbers are expected to increase substantially due to the completion of a large portion of the other North and Northwest Calgary communities. Single detached house prices will vary between $230,000 to $600,000.

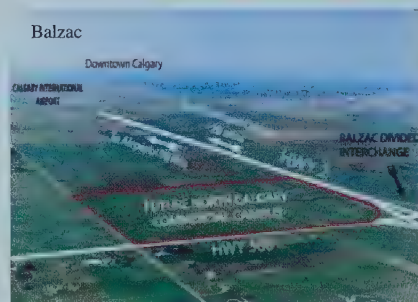

Sherwood Showhomes

Operations Summary



After an extensive evaluation process by the City of Calgary, Genesis expects to receive rezoning on 85 acres of land to C-5 commercial, which will accommodate the Regional Core Commercial Center (Sage Hill Crossing) as outlined in the City of Calgary approved Symons Valley Community Plan. In addition, there is approximately 12 acres of multi-family housing that would be rezoned in conjunction with the commercial lands. Depending upon rezoning approvals and extension of transportation corridors and utilities, the commercial centre would be developed starting in late 2005.

NORTH CALGARY COMMERCIAL CAMPUS – One and a half miles north of the Calgary city limits, on Highway 2 (Calgary - Edmonton expressway) and the SE corner of the Highway 566 divided interchange



Size and Projected Yield: **247 acres, variable parcel sizes for commercial, retail, light industrial uses.**
Current Status: **Rezoning of 247 acres approved in November 2003, with development expected to start in late spring 2004 (Phase 1 – 50 acres), (77% owned by Genesis, 23% by Limited partnerships)**

NCCC Concept Plan

The conceptual scheme for the North Calgary Commercial Campus (NCCC) at Balzac was unanimously approved and land use re-designation granted in November 2003. The NCCC development will be a landmark project for the Municipal District of Rocky View. Located on the southeast corner of the only divided interchange between Calgary and Airdrie, along the main Highway 2 expressway corridor to Edmonton, the (NCCC) has outstanding access. It is also less than 10 minutes to the Calgary International Airport. The NCCC will be one of the first public business parks to have fiber optic cable to each building, thus greatly enhancing data transfer capabilities for business and giving high tech companies an opportunity to locate in the NCCC. Interest in the serviced lots by business owners looking to relocate their businesses has been very high, and development servicing is expected to commence in spring 2004.

OTHER LAND DEVELOPMENT PROJECTS

MOUNTAIN VIEW VILLAGE: M.D. of Rockyview (S.E. Calgary)

Size and Lot Yield: **144 acres, 41 lots (Two and Four acres)****Size and Lot Yield:** **144 acres, 41 lots (Two and Four acres)**
Current Status: **On hold, pending completion of engineering review**

Due to the priority of bringing on the major core projects on stream in 2004, engineering reviews have not been completed on Mountain View Village. The current revised development plans call for 41 lots varying in size from two to four acres. Each lot will have its own water well and septic system. It is expected that Genesis will complete the necessary work on the project over the next 2 to 3 years.

Operations Summary

MEADOWBROOK GREENS: Town of Brooks (1-1/2 hours east of Calgary)

Size and Lot Yield: 76 lots
Current Status: Phase 1 developed with 74 serviced lots, 36 lots sold to date, 38 lots remaining

Genesis has continued on a very aggressive sales program to sell out the remaining lots at $24,900 for a 30 ft wide lot, to match development undertaken by the Town of Brooks itself, who are selling lots at 40% below industry standard prices in nearby developments. Unfortunately due to BSE (mad cow), lot sales have not materialized. Genesis is looking at methods of constructing homes and selling these as rental properties to accommodate the consistently strong rental market in the Brooks area. Meadowbrook is located on the east side of the Town of Brooks, within half mile of Brooks Golf and Country Club, and within a mile of the Brooks branch of the Medicine Hat College.

MITFORD CROSSING: Cochrane - west of Calgary (35 minutes to Downtown Calgary)

Size and Lot Yield: 160 acres, 360 lots
Current Status: On hold – municipal approvals delayed, working on an integrated plan with the adjacent landowners.

HUNTLEY LAKES: LYALTA (35 minutes Northeast of Downtown Calgary)

Size and Lot Yield: 356 acres, 608 lots
Current Status: On hold – revising plans to integrate lower density development to satisfy residents in Lyalta and County of Wheatland.

THE WOODLANDS: Prince George, British Columbia

Size and Lot Yield: 121 acres, 504 lots, and 8 acres of commercial sites.
Current Status: Phase 1 – 27 of 28 lots sold by 2000. Phase 2 development (87 single and multi-family lots) commenced in 1995 – water / storm / sanitary sewers, and road surface completed.

With the continuing slow economy in Prince George, no further servicing has been completed on the development. However, the development is well located and positioned to take immediate advantage of an economic upswing. Discussions with the Mayor of Prince George in Jan. 2004 indicate that there are no additional serviced lots in Prince George for new homes, and that the economy is starting to improve. Genesis will continue to monitor the situation and react accordingly to sell the lands, and / or bring more serviced lots on stream to meet the demand and liquidate its assets in Prince George.

MOUNTAIN VILLAGE: Dawson Creek, British Columbia

Size and Lot Yield: 5 acres, 20 lots
Current Status: 10 lots developed in 1997 to 1998, 10 more partially serviced. Sales agreement still being pursued.

Operations Summary

BUENA VISTA RANCHES: Kamloops, British Columbia

<u>Size and Lot Yield:</u> 1623 acres, 4205 lots
<u>Current Status:</u> Development planning on hold due to slow economic conditions in British Columbia

Despite the slow economic conditions in British Columbia, Genesis sees Buena Vista Ranches as a very exciting project, especially with imminent shift in demographics, which will attract residents from the Lower Mainland B.C., and from Alberta. The overall development concept plan calls for extensive interconnected trail system for pedestrians, cyclists and horse back riding, as well as a golf course. The plan also takes advantage of the natural valleys and six lakes on the property, as well as the close proximity of Kamloops Lake.

Management's Discussion & Analysis

The following should be read in conjunction with the consolidated financial statements and the related notes appearing elsewhere in this Annual Report.

OVERVIEW

Genesis Land Development Corp. ("Genesis" or the "Company"), is a Calgary-based real estate development company, and a fully integrated sales and service organization that focuses primarily on the development and sale of residential, commercial and light industrial properties.

The Corporation is listed for trading on the Toronto Stock Exchange (the "Exchange") under the symbol "GDC".

HIGHLIGHTS

Net income for 2003 was significantly higher at $6,641,661 (after a pre-tax write down of $3,536,004 on certain properties) compared to $4,838,177 in 2002, which resulted in an increase of $0.04 in earnings per share to $0.15 from $0.11 in 2002. Gross margins were much higher in 2003 as a result of lot sales in Symons Valley.

ASSETS

During 2003 the Company incurred development costs for the Canals, Bayside, and the Symons Valley projects. Accounts receivables for 2003 have increased to $47,796,149 from $43,593,540 in 2002.

The Company continues to experience positive cash flow after repaying project specific financing for Taravista phases 3 to 6 and Bayside phase 1.

During 2003 the Company's British Columbia properties were appraised. Due to a continuing slow down in the economy, the Prince George property was appraised at $3,536,004 below its book value which resulted in a write-down of that amount.

LIABILITIES AND EQUITY

	2003		2002	
	$		$	
Liabilities	67,708,147	47%	68,937,105	50%
Shareholders' Equity	75,462,832	53%	68,565,816	50%
	143,170,979	100%	137,502,921	100%
Debt to Equity Ratio	0.9 to 1		1 TO 1	

During 2003 the Company paid off approximately $7.5 million of long-term debt with proceeds from Bayside and Taravista projects. An additional $1.38 million was paid in the first quarter of 2004. As cash flow is generated, more debt will be paid down on a regular basis. Long-term liabilities include vendor take back mortgages amounting to $10,644,762 with a face value of $8,186,000, which is down from $12,296,905 with a face value of $10,482,000 in 2002. These mortgages are structured to facilitate the development of the mortgaged properties, and do not incur interest until the estimated date of commencement of development. The terms of the mortgages allow subordination for development financing to be obtained from development lenders, with the latter holding secured positions.

To maintain the conservative debt to equity ratio established in the past, the Company will continue to focus its efforts on financing its land holdings with equity.

The net book value of the Company's net assets increased to $75,462,832 at the end of 2003 compared to $68,565,816 at the end of 2002, due to an increase in retained earnings.

Management is of the opinion that the Company's book value is significantly less than its current market value and that its shares are trading below their fair market value.

As at December 31, 2003 the Company had a net book value of $1.64 per share compared to $1.50 in 2002. As at March 31, 2004 the Corporation shares were trading at $2.38 per share.

The normal course issuer bid which commenced on December 13, 2000 and renewed on December 18, 2001 was not renewed in 2002. Consequently, no shares were repurchased in 2003. As at December 31, 2002 the Company had repurchased 336,400 shares at an average price of $0.90 per share.

RESULTS OF OPERATIONS

For the year ended December 31, 2003 the Company reported a net income of $6,641,661 (after a pre-tax write-down of $3,536,004 on certain properties) on revenues of $36,038,440 compared to a net income of $4,838,177 on revenues of $52,079,454 for the year ended December 31, 2002. The increase in the Company's net income for 2003 was due to successful management of its projects in the Canals (Phase 3), Bayside (Phase 2), Taravista (Phases 3 - 7) and especially Symons Valley (Phase 1-3) which generated excellent gross margins.

The in-house planning and engineering team has contributed significantly towards cost and time efficiencies throughout all development stages, and continued to maintain a 49% yield in operating profits on lot sales in 2003.

General and administrative expenses for 2003 have increased to $3,468,591 from $2,890,380 in 2002, due to an increased level in activity in both development and marketing as communities were developed.

Total interest costs, capitalized and expensed in 2003 have decreased to $3,977,607 from $5,487,856 in 2002, resulting from re-financing some of the debt and converting it to project specific debt at lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

The Company has used project specific debt to fund development costs, and maintains lending relationships with three lenders to provide required development financing whilst working towards establishing relationships with other lenders.

OTHER

The company purchased 80 acres of residential land adjacent to its Bayside project in Airdrie using cash flow generated from operations.

There has been a delay in the completion of the rezoning of Taralake in North East Calgary, pending a joint transportation study between the area developers including Genesis and the City of Calgary, to provide recommendations for solutions to downstream traffic concerns in the Saddleridge Area Structure Plan. Genesis has been very active in finding solutions and expects that there will be a resolution of this issue by summer of 2004. With these efforts, it is expected that rezoning will be completed by fall 2004. This has delayed the sale of over 400 single-family lots, 4 acres of multi-family and 6 acres of commercial site developments to be deferred into 2004 from 2003. The Taravista project has been in the top five subdivisions for the past two years as reported by Urban Development Institute of Calgary.

In August 2003, the Company retained CIBC World Markets, and CIBC Commercial Banking, as advisors to assist in establishing strategic options to maximize shareholder value and added shareholder activity. At the time of print in April, 2004, management was still considering options with CIBC.

On October 9, 2003 the Company acquired Polar Hedge Enhanced Income Trust (PHT) for a total consideration of $6.6 million by acquiring all of the outstanding units at $8.62/unit. This acquisition gives Genesis the opportunity to utilize the financial structure features of PHT to optimize its financial position over the next several years.

RISKS AND UNCERTAINTIES

In the normal course of business, the Company is exposed to certain risks and uncertainties inherent in the real estate development industry. Real estate development is a cyclical business; as a result, the profitability of the Company could be adversely affected by external factors beyond the control of management. These factors include:

- Shifts in population patterns
- General downturn in the provincial or national economy
- Delays in regulatory approvals
- Interest rate fluctuations
- Availability of project financing
- Competition

To mitigate risks, Genesis has taken the following steps to ensure that:

- Constant monitoring of market trends and conditions.
- Substantial pre-sales are in place before commencing a project.
- A conservative debt position is deliberately maintained, with raw land acquisitions generally financed with equity and development costs funded with short-term financing. The Company currently has a debt to equity ratio of 0.9 to 1.
- All regulatory requirements are met on time.
- Adequate financing is established prior to commencement of project development.
- Strategically planning current and future land development projects.

Management is convinced that the financial strength of the Company will allow it to successfully withstand any future downturns in real estate cycles. With this financial strength Genesis may look upon future downturns as an opportunity to further enhance its portfolio of land for future development.

OUTLOOK

The Alberta Economy still continues to be the strongest in Canada with the prediction of continuous economic growth in the foreseeable future.

The City of Calgary granted approximately 7,500 single family residential building permits for Calgary and surrounding area in 2003 and this trend is expected to continue in 2004. The Company is able to draw from its large land development inventory to meet the demand, particularly in the strategically located areas in north Calgary.

The successful performance achieved in 2003, coupled with managements advanced planning is strongly indicative of the assurance of the success of ongoing projects in the Canals, Bayside, Taravista and Symons Valley for the ensuing years.

Management Discussion & Analysis

The progress made above, puts Genesis in an excellent position to continue realizing the development potential of the Company's strong portfolio of land for the next decade.

Sales from phases 7 - 9 of the Taravista project, phases 4 - 7 of the Canals project, phases 2 - 3 of the Bayside project, phase 4 of Symons Valley project and 50 acres development of the North Calgary Commercial Centre project (Balzac) will generate significant revenues to ensure enhanced financial results for 2004.

The Spray Lakes project, planned as a four-season resort was scheduled to start in 2001 and 2002. Although the Company fulfilled the Alberta Government requirements with regard to the development approval process, Alberta's Minister of Environment aborted the project on the grounds that it would not be in the public's best interest. In June 2000, the Alberta Government acknowledged the need to indemnify Genesis and stated publicly that it was prepared to compensate the Company for an amount that is currently being negotiated. As no resolution has been forthcoming, the Company has served the Alberta Government with a statement of claim.

The Company's development communities in Calgary and surrounding area are anticipated to provide significant development activity during the year 2004. Sustained economic growth and positive in-migration figures for Alberta have industry forecasters predicting the continuance of favorable housing start figures for Calgary and surrounding area. The recent announcement made by CMHC that qualified home buyers can now purchase homes through them with zero down payment should bring substantial increases to the home building industry.

The situation is somewhat different in British Columbia (B.C.) where the change in government has resulted in improved business confidence; however, the NAFTA (free trade) conflicts on softwood duties with USA continue to present a more difficult than expected program in promoting the growth of the B.C. economy. Planning and development of the Company's projects in B.C., such as Buena Vista Ranches in Kamloops and Woodlands in Prince George, will be held back until markets improve.

Auditor's Report & Consolidated Financial Statements (December 31, 2003 and 2002)

2003 Genesis Annual Report

Auditors' Report

To the Shareholders
Genesis Land Development Corp.

We have audited the consolidated balance sheets of Genesis Land Development Corp. as at December 31, 2003 and 2002 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 5, 2004

Genesis Land Development Corp.
Consolidated Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Real estate held for development and sale (note 3)	$ 80,630,368	$ 82,031,307
Accounts receivable (note 4)	47,796,149	43,593,540
Other assets (note 5)	5,693,970	2,904,356
Cash and cash equivalents	5,519,627	7,471,297
Investments (note 6)	2,244,116	194,600
Income taxes receivable	12,905	-
Future income taxes (note 7[a])	1,273,844	1,307,821
	$ 143,170,979	$ 137,502,921
Liabilities		
Financings (note 8)	$ 43,643,666	$ 41,158,858
Accounts payable and accrued liabilities	4,534,209	2,760,620
Income taxes payable	-	278,622
Land development service costs	19,530,272	24,739,005
	67,708,147	68,937,105
Shareholders' Equity		
Share capital (note 9)	55,960,790	55,790,338
Contributed surplus (note 10[c])	175,039	90,136
Retained earnings	19,327,003	12,685,342
	75,462,832	68,565,816
	$ 143,170,979	$ 137,502,921

Contingencies (note 15)

Approved by the Board,

GOBI SINGH, Director

ARTHUR WONG, Director

Genesis Land Development Corp.

Consolidated Statements of Income and Retained Earnings

Years Ended December 31, 2003 and 2002

	2003	2002
Revenue		
Sales		
Residential lots	$ 33,842,713	$ 51,501,696
Raw land	1,867,835	415,950
Interest and other income	327,892	161,808
	36,038,440	52,079,454
Expenses		
Cost of sales		
Residential lots	17,216,512	38,992,952
Raw land	1,034,758	250,452
Impairment of land held for future development (note 3)	3,536,004	-
General and administrative	3,468,591	2,890,380
Interest	1,096,984	1,154,430
Stock-based compensation costs (note 10[c])	84,903	-
Amortization	86,668	87,288
	26,524,420	43,375,502
Income before income taxes	9,514,020	8,703,952
Income taxes (note 7[b])	2,872,359	3,865,775
Net income	6,641,661	4,838,177
Retained earnings, beginning of year	12,685,342	7,847,165
Retained earnings, end of year	$ 19,327,003	$ 12,685,342
Net income per share (note 9[e]) - basic	$ 0.15	$ 0.11
- diluted	$ 0.14	$ 0.10

Genesis Land Development Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Funds provided from (used for):		
Operating activities		
Net income	$ 6,641,661	$ 4,838,177
Items not involving cash		
Stock-based compensation expense	84,903	-
Amortization	86,668	87,288
Future income taxes	2,583,499	3,511,366
Impairment of land held for future development	3,536,004	-
Loss on disposal of property and equipment	-	4,619
Funds provided from operations	12,932,735	8,441,450
Decrease (increase) in real estate held for development and sale	(1,504,300)	7,180,815
Increase in accounts receivable	(4,202,609)	(17,826,389)
Increase in other operating assets	(2,776,188)	(260,942)
Increase (decrease) in other operating liabilities	(3,646,050)	13,100,239
Change in income taxes payable and receivable	(291,527)	(151,790)
	512,061	10,483,383
Financing activities		
Advances from financings	16,225,233	30,327,854
Repayments of financings	(14,371,190)	(35,935,518)
Issue of share capital	170,452	37,500
Repurchase of share capital	-	(139,204)
	2,024,495	(5,709,368)
Investing activities		
Investment in subsidiary	(2,338,616)	-
Other investment	(110,000)	-
Repayments (advances) of mortgages and loans receivable	(1,939,516)	183,385
Acquisition of equipment	(126,594)	(104,859)
Proceeds of disposal of property and equipment	26,500	32,000
	(4,488,226)	110,526
Cash inflow (outflow)	(1,951,670)	4,884,541
Cash and cash equivalents, beginning of year	7,471,297	2,586,756
Cash and cash equivalents, end of year	$ 5,519,627	$ 7,471,297
Supplemental cash flows information:		
Interest paid	$ 3,552,391	$ 5,027,755
Income taxes paid	$ 580,387	$ 506,199
Items not involving cash (note 14)		

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

1. Significant accounting policies

(a) Nature of operations

The Corporation is engaged in the development, subdivision and sale of residential and commercial property in the Provinces of Alberta and British Columbia.

The Corporation follows the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public and Private Real Estate Companies.

(b) Consolidation and joint venture accounting

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the Corporation's proportionate share of the assets, liabilities, revenues, expenses and cash flows of joint ventures in which it is a participant. All significant inter-company profits, transactions and balances have been eliminated.

(c) Revenue recognition

(i) Residential and commercial lot sales and raw land

Revenue is recognized when a contract for sale is signed, a minimum of 15% of the sale proceeds have been received and the sale is unconditional.

(ii) Housing and construction sales

The sale is recognized when the completed unit is conveyed to the purchaser.

(d) Real estate held for development and sale

Land under development, land held for future development and housing projects under development are recorded at lower of cost and estimated net realizable value.

Capitalized costs include all direct costs related to development and construction, carrying costs including interest on debt used to finance projects, property taxes and land acquisition costs. Land acquisition costs are prorated to a phase of a project on an acreage basis when the first sale occurs in the phase.

At the time that the first sale from a phase is made, the total estimated servicing and development costs are recorded as a liability. The unexpended portion of these costs is shown as a liability, 'land development service costs'. This liability is subject to a significant measurement of uncertainty (note 1[g]).

The total costs of a development phase are prorated on a square footage basis in each phase of a subdivision. Upon the substantial completion of each phase of subdivision under development or when the estimate is known to be materially different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for estimated land development service costs and a corresponding adjustment is made to land held under development and cost of sales.

No general and administration costs are capitalized.

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

(e) Equipment

Equipment consisting of office equipment, computer hardware, software and vehicles is stated at cost less accumulated amortization. Amortization is calculated on a declining balance basis at the following annual rates:

Office equipment	20%
Computer hardware, software and vehicles	30%

(f) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(g) Measurement uncertainty

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the amount recorded for total estimated servicing and development costs.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and cash held in trust that is releasable to the Corporation.

(i) Stock-based compensation

Effective January 1, 2002, the Corporation prospectively adopted the Canadian Institute of Chartered Accountants' ("CICA") new accounting standard with respect to accounting for stock-based compensation arrangements. Stock options granted to non-employees are accounted for using the fair value method under which options granted on or after January 1, 2002 are recorded at their estimated fair value at the grant date. The Corporation elected to continue to use the intrinsic value method of accounting for its stock options granted to employees and directors, whereby, no amount is recorded for stock options that have an exercise price equal to or greater than the fair value of the stock at the date options are granted. However, the pro forma effect of accounting for stock options granted to employees and directors using the fair value method for options granted on or after January 1, 2002 but before January 1, 2003 is disclosed in note 10(c).

Effective January 1, 2003, the Corporation prospectively adopted the amended CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Stock options granted to employees and directors on or after January 1, 2003 are accounted for using the fair value method.

Any consideration paid by employees or directors on exercise of stock options is credited to share capital.

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

2. Business combination

On October 9, 2003, the Corporation acquired all of the 761,217 issued and outstanding units of the Polar Hedge Enhanced Income Trust(the "Trust") for aggregate consideration of $6,561,691($8.62 per unit) plus acquisition costs of $384,694, for total consideration of $6,946,385. The Trust is an open-ended investment trust with a mandate to invest in a diversified portfolio of securities. The transaction has been accounted for using the purchase method, with the results of operations being included in the consolidated financial statements since the date of acquisition.

The purchase price was allocated as follows:

Assets	
Cash	$ 4,607,769
Future income taxes	2,549,522
	7,157,291
Liabilities	
Accounts payable and accrued liabilities	210,906
Net assets acquired	$ 6,946,385

3. Real estate held for development and sale

	2003	2002
Land held for future development	$ 75,325,890	$ 76,301,722
Land under development	5,117,532	5,517,234
Housing projects under development	186,946	212,351
	$ 80,630,368	$ 82,031,307

During the year ended December 31, 2003, interest of $2,880,623 (2002 - $4,333,426) and other carrying costs of $178,433 (2002 - $263,039) were capitalized to real estate held for development and sale.

During the fourth quarter of 2003, the carrying value of certain property located in British Columbia was suspected to be impaired due to a continuing deterioration in regional markets. Appraisals were obtained and one specific property was written down by $3,536,004 to estimated fair value based on the discounted expected future cash flows from the property.

4. Accounts receivable

	2003	2002
Agreements receivable	$ 47,023,307	$ 43,075,241
Trade and other receivables	772,842	518,299
	$ 47,796,149	$ 43,593,540

Agreements receivable are secured by underlying real estate assets sold and have various terms of repayment. Typically, they are non-interest bearing until the related project reaches a certain stage of completion, after which time interest is charged at a rate of prime plus 2% to 4% per annum.

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

5. Other assets

	2003	2002
Equipment	$ 294,099	$ 280,673
Deposits	4,827,903	2,281,620
Prepaid expenses	571,968	342,063
	$ 5,693,970	$ 2,904,356

Equipment is net of accumulated amortization of $501,401 (2002 - $432,829).

The deposits are amounts paid to development authorities as security to guarantee the completion of construction of projects under development. The deposits are refundable upon completion of the related project and bear interest at rates approximating those earned on comparable term GICs.

6. Investments

	2003	2002
Mortgages receivable	$ 1,931,590	$ -
Loans receivable	202,526	194,600
Other investment	110,000	-
	$ 2,244,116	$ 194,600

The mortgages receivable bear interest at a rate of 10% per annum, are secured by lot and housing projects under development and are due six months from the date of advance. The mortgages were brokered by a company controlled by certain officers and directors of the Corporation that receives an interest commission of 2% per annum on these mortgages.

Loans receivable bear interest at rates between 10.5% to 12.75% per annum and have various terms of repayment. The loans are partially secured by outstanding shares of the Corporation.

The other investment consists of an advance to a joint venture that gives the Corporation the right to participate in the profits of the joint venture to a maximum of $85,000. The Corporation does not share in the risks or rewards of ownership of the joint venture's assets beyond the investment and a fixed return, nor is it responsible for any of the liabilities of the joint venture. The advance is unsecured and is repayable based on sales in the joint venture.

7. Income taxes

(a) The components of the future income tax asset at December 31, 2003 and 2002 are as follows:

	2003	2002
Real estate held for development and sale	$ 3,758,425	$ 4,042,208
Non-capital loss carryforwards	3,005,400	106,234
Reserves from land sales	(5,544,467)	(2,893,508)
Unamortized financing costs	116,646	219,162
Vendor take-back mortgages	(44,842)	(156,251)
Other temporary differences	(17,318)	(10,024)
	$ 1,273,844	$ 1,307,821

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

(b) Significant components of income taxes are as follows:

	2003	2002
Future income taxes	$ 2,583,499	$ 3,511,366
Large corporations and provincial capital taxes	288,860	276,374
Prior year assessments	-	78,035
	$ 2,872,359	$ 3,865,775

(c) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 36.62% (2002 - 39.24%) to income before income taxes. The difference results from the following:

	2003	2002
Expected income tax expense	$ 3,484,034	$ 3,415,431
Large corporations and provincial capital taxes	288,860	276,374
Benefit of tax cost of land in excess of carrying value not previously recognized	(766,503)	-
Change in future income taxes resulting from the amortization and settlement of vendor take-back mortgages on real estate held for future development	115,493	199,127
Prior year assessments	-	78,035
Change in future income taxes resulting from tax rate reduction	(293,488)	(139,575)
Other non-deductible expenses	43,963	36,383
	$ 2,872,359	$ 3,865,775

(d) One of the Corporation's subsidiaries has non-capital losses of $14,730,104 available for tax purposes, the value of which has not been recognized in the consolidated financial statements because of the short period to expiry. The losses expire in 2005 and, if realized by 2005, will benefit the Corporation on a consolidated basis at 50% of the combined effective federal and provincial income tax rates in the year of utilization.

8. Financings

	2003	2002
Secured by land held for future development		
Mortgage payable, bearing interest at prime plus 5% per annum, also secured by a general security agreement, due April 13, 2004 with an option to extend the mortgage for one additional year.	$ 13,094,416	$ 16,700,000
Vendor take-back mortgages, having a face value of $8,186,000 (2002 - $10,482,000), bearing interest at a rate of 7% per annum, maturing at various dates through November 1, 2005, but having no specific terms of repayment.	10,644,762	12,296,905

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

Other mortgages payable, bearing interest at an average rate of 11% per annum, subject to annual renewals.	176,972	1,102,031
Secured by land under development and agreements receivable		
Land project loans, payable on collection of agreements receivable, bearing interest at rates from prime plus 1% to 1.25% (2002 - prime plus 1% to 2%) per annum.	19,680,194	9,790,116
Secured by housing projects under development		
Mortgages payable, bearing interest at a weighted average rate of 7% per annum, repayable upon sale of the related housing project.	47,322	49,806
Other financing		
Non-convertible subordinated debentures, bearing interest at a rate of 12% per annum, repaid during the year.	-	1,220,000
	$ 43,643,666	$ 41,158,858

Expected minimum principal repayments during the next two years, based on maturity dates, are as follows:

2004	$ 18,085,762
2005	5,830,388
	23,916,150
Financings repayable upon the sale of certain land and housing projects	19,727,516
	$ 43,643,666

Vendor take-back mortgages

During 1999, the Corporation purchased land by way of vendor take-back mortgages. For accounting purposes, the mortgages have been recorded at the combined present value of principal at maturity (five years from the effective interest date) and the present value of annual interest payments using a discount rate of 12% per annum.

	2003	**2002**
Face value, beginning of year	$ 10,482,000	$ 11,725,000
Repayments	(2,296,000)	(1,243,000)
Face value, end of year	8,186,000	10,482,000
Accrued interest	2,717,812	2,704,720
Discount	(259,050)	(889,815)
	$ 10,644,762	$ 12,296,905

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

9. Share capital

(a) Authorized

Unlimited number common voting shares
Unlimited number of preferred shares

(b) Issued

	Number	Stated Value
Common shares		
Issued and outstanding, December 31, 2001	45,746,108	$ 55,877,061
Purchased through normal course issuer bid (note 9[c])	(101,700)	(124,223)
Issued for cash under stock option plan (note 10)	37,500	37,500
Issued and outstanding, December 31, 2002	45,681,908	55,790,338
Issued for cash under stock option plan (note 10)	278,332	170,452
Issued and outstanding, December 31, 2003	45,960,240	$ 55,960,790

(c) On December 13, 2000, the Corporation undertook a Normal Course Issuer Bid to purchase common shares for cancellation. During the year ended December 31, 2002, the Corporation acquired 101,700 common shares with a stated value of $124,223 for total consideration of $139,204. The excess of cost over the stated value was allocated to contributed surplus.

(d) Warrants

In connection with a private placement in 1998, the Corporation had 1,880,953 warrants outstanding. Every two warrants entitled the holder to purchase one additional share at a price of $4. The warrants expired between June 29, 2003 and October 5, 2003. None of the warrants were exercised.

(e) Net income per share

Basic net income per share has been calculated using the weighted-average number of common shares outstanding during the year ended December 31, 2003 of 45,800,076 (2002 - 45,662,226).

Diluted income per share reflects the impact of the exercise of options using the Treasury Stock Method excepting those where the effect would not be dilutive. In calculating diluted net income per share, 489,065 (2002 - 634,601) common shares were added to the weighted-average number of common shares outstanding during the period for the dilutive effect of stock options.

10. Stock options

(a) The Corporation has established a stock option plan for certain employees and directors of the Corporation to purchase common shares. Under the plan, there are 4,909,000 options that are eligible to be granted to purchase common shares. Vesting provisions and exercise prices are set at the time of issue by the Board of Directors.

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

A summary of the status of the Corporation's stock option plan as at December 31, 2003 and 2002 and changes during the years ending on those dates is as follows:

	2003		2002	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding, beginning of year	3,630,990	$ 2.81	3,126,490	$ 2.98
Granted	315,000	3.42	567,000	1.80
Exercised	(278,332)	0.61	(37,500)	1.00
Cancelled	(2,118,158)	3.45	(25,000)	3.25
Outstanding, end of year	1,549,500	$ 2.45	3,630,990	$ 2.81
Exercisable, end of year	1,059,876	$ 2.01	2,836,490	$ 2.99

(b) The following table summarizes information about stock options outstanding at December 31, 2003:

Range of Exercise Prices	Number Outstanding at December 31, 2003	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2003	Weighted-Average Exercise Price
$ 0.50	100,000	2.6 years	$ 0.50	100,000	$ 0.50
1.00 - 1.50	646,750	3.1	1.14	531,438	1.15
1.87 - 2.25	339,250	3.0	2.01	213,438	1.99
4.00 - 6.00	463,500	2.7	5.02	215,000	4.86
	1,549,500	2.9 years	$ 2.45	1,059,876	$ 2.01

(c) The fair value of the options at the date of grant was estimated to be $151,813 (2002 - $446,275). The weighted-average fair value of stock options per option granted during the year was $0.48 (2002 - $0.79) using the Black-Scholes model with the following assumptions:

	2003	2002
Expected life (years)	5	5
Risk-free interest rate (%)	3.9	5.50
Expected volatility (%)	36	88
Expected dividends ($/share)	NIL	NIL

In 2003, compensation costs of $84,903 have been expensed and credited to contributed surplus.

On a pro forma basis, had compensation cost for the stock options been recorded based on the fair value method for options granted during 2002, the Corporation's contributed surplus, net income and net income per share would have been as follows:

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

		2003	2002
Balance Sheet			
Contributed surplus	As reported	$ 175,039	$ 90,136
	Pro forma	$ 621,314	$ 448,097
Income Statement			
Net income	As reported	$ 6,641,661	$ 4,838,177
	Pro forma	$ 6,553,347	$ 4,480,216
Net income per share	As reported		
	- Basic	$ 0.15	$ 0.11
	- Diluted	$ 0.14	$ 0.10
	Pro forma		
	- Basic and diluted	$ 0.14	$ 0.10

11. Due to/from a related corporation

Included in trade and other receivables in 2003 is $42,106 due from a company under the control of certain of the Corporation's officers and directors. Included in accounts payable and accrued liabilities in 2002 is $113,072 due to the same company. These amounts arise because the related company administers certain loans and mortgages on behalf of the Corporation.

12. Investment in joint ventures

The Corporation's share of its joint venture assets, liabilities, revenues and expenses and cash flows, which have been proportionately consolidated in these financial statements, are as follows:

	2003	2002
Assets		
Real estate held for development and sale	$ 353,465	$ 3,671,781
Liabilities		
Accounts payable and accrued liabilities	115,344	107,845
Equity in joint venture	$ 238,121	$ 3,563,936
Expenses	(3,032,137)	(16)
Income (loss) from operations	$ (3,032,137)	$ (16)
Cash flows used in		
Operating activities before income taxes	$ -	$ (3,801)

The loss from operations forms part of the impairment disclosed in note 3 to the consolidated financial statements.

13. Commitment

Pursuant to the terms of a participating mortgage that was repaid during 2002, the former mortgage holders have the right to 22.6% participation in the profits from the development of approximately 49 acres of land held for future development.

14. Items not involving cash

The following non-cash transactions have been excluded from the consolidated statement of cash flows:

Genesis Land Development Corp.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

	2003	2002
Amortization of discount and related increase in real estate held for development and sale (note 8)	$ 630,765	$ 1,340,706

15. Contingencies

(a) The Corporation has been named as a co-defendant to a lawsuit seeking damages of $8,000,000 plus punitive damages of $1,000,000. The statement of claim asserts that the conversion price used for the conversion of certain debt into common shares of the Corporation was overstated. Management is of the opinion that the claim against the Corporation is without merit therefore this has not been accrued in the financial statements.

(b) The Corporation has been named as a co-defendant to a lawsuit seeking damages of $732,000 plus 10% of any amounts received from the Government of Alberta by the Corporation as compensation for the cancellation of the Spray Lakes Project as well as interest, costs and unspecified punitive and exemplary damages. Management is of the opinion that the claim is without merit therefore this has not been accrued in the financial statements.

(c) The Corporation has been named in a lawsuit by an individual seeking damages of $303,565 relating to the allocation of profits from the sale of certain lands. Management is of the opinion that the claim against the Corporation is without merit therefore this has not been accrued in the financial statements.

(d) The Corporation has been named as a defendant in three lawsuits seeking aggregate damages of $240,854. Management is of the opinion that the claims are without merit therefore this has not been accrued in the financial statements.

Any liability as a result of these actions will be recorded in the year of settlement.

16. Financial instruments

(a) Fair values

The fair values of accounts receivable, deposits, accounts payable and accrued liabilities and land development service costs approximate their carrying values due to the relatively short periods to maturity. The fair values of the Corporation's investments and financings approximate their carrying values as the terms and conditions are comparable to current market conditions or are due in a relatively short period of time.

(b) Interest rate risk

The Corporation is exposed to interest rate cash flows risk to the extent that agreements receivable and certain financings are at a floating rate of interest. The Corporation is also exposed to interest rate price risk to the extent that certain financings, mortgages receivable and loans receivable are at a fixed rate of interest.

(c) Concentration of credit risk

The Corporation primarily sells its residential lots in the Provinces of Alberta and British Columbia to builders of residential homes. The Corporation's exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which would impair the customers' ability to satisfy their obligations to the Corporation. In order to reduce this economic risk, the Corporation evaluates the current and economic forecast demand for residential lots. In addition, the Corporation retains a security interest in the residential lots until full payment is received.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Five Year Summary

(Expressed in thousands of dollars)

Consolidated Balance Sheets	2003	2002	2001	2000	1999
	$	$	$	$	$
Assets					
Real estate held for development and sale	80,630	82,032	87,871	85,408	81,593
Accounts and loans receivable	47,796	43,788	26,145	3,282	4,980
Cash and cash equivalents	5,520	7,471	2,587	2,917	839
Investments	2,244	-	-	-	-
Capital and other assets	5,694	2,904	2,663	2,414	989
Income Tax Receivable	13	-	-	-	-
Future income taxes	1,274	1,308	4,819	6,543	575
	143,171	137,503	124,085	100,564	88,976
Liabilities					
Financing	43,644	41,159	45,426	33,183	23,587
Accounts payable and accrued liabilities	4,534	2,761	4,857	3,244	3,305
Income taxes payable	-	278	430	668	857
Due to related parties	-	-	-	165	250
Land development service costs	19,530	24,739	9,543	616	729
	67,708	68,937	60,256	37,876	28,728
Shareholders' equity					
Share capital	55,961	55,791	55,877	56,144	56,084
Contributed surplus	175	90	105	11	-
Retained earnings	19,327	12,685	7,847	6,533	4,164
	75,463	68,566	63,829	62,688	60,248
	143,171	137,503	124,085	100,564	88,976

Consolidated Statements of Earnings (Loss)	2003	2002	2001	2000	1999
	$	$	$	$	$
Revenue					
Sales	35,710	51,917	31,491	2,224	14,001
Interest and other income	328	162	177	170	544
	36,038	52,079	31,668	2,394	14,545
Expenses					
Cost of sales	18,250	39,243	24,800	2,618	12,795
Impairment of land held for Future Development	3,536	-	-	-	-
General and administrative	3,469	2,890	2,415	2,724	1,911
Interest	1,097	1,155	1,077	685	316
Stock-based compensation Costs	85	-	-	-	-
Amortization	87	87	90	78	50
	26,524	43,375	28,382	6,105	15,072
Earnings (Loss) from operations	9,514	8,704	3,286	(3,711)	(527)
Gain on sale of assets	-	-	-	-	508
Earnings (Loss) before taxes	9,514	8,704	3,286	(3,711)	(19)
Provision for taxes	2,872	3,866	(1,972)	611	(312)
Net Earnings (Loss) for the year	6,642	4,838	1,314	(3,100)	(331)
Earnings (Loss) per share - basic and fully diluted	0.15/0.14	0.11/0.10	0.03/0.03	(0.07)/(0.07)	(0.01)/(0.01)

Corporate Information

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Director

Arthur Wong, P. Eng
Vice-President and Chief Operating Officer
Director

Daniel J. Silvester
Director

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Director

George J. Reti
Director

STOCK EXCHANGE

Toronto Stock Exchange
Stock Symbol – **GDC**

SENIOR MANAGEMENT TEAM

Gobi Singh, P. Eng.
President and Chief Operating Officer

Arthur Wong, P. Eng.
Vice-President and Chief Operating Officer

Bashir Virji, CA
Chief Financial Officer

Raymond W.A. Clark
Senior Planner, Land Division

Arnie Stefaniuk, P. Eng
Manager of Engineering

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Other Genesis' Community Websites:

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www.canalsnorthairdrie.com

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